



Roland W. Burris

Comptroller
State of Illinois

May 15, 1986

201 State House
Springfield, Illinois 62706
217/782-6000

PAYROLL BULLETIN
(2-86)

TO: All State Agencies, Departments, Boards, Commissions
and Universities

SUBJECT: Medicare Coverage

Public Law 99-272, the Consolidated Omnibus Budget Reconciliation Act of 1985, was signed by the President on April 7, 1986. One of the provisions of the Act provides that all State and local government employees in positions not covered for Social Security beginning employment after March 31, 1986 are mandatorily covered by medicare.

New State employees in positions not covered for Social Security and, therefore, affected by P.L. 99-272 are:

1. Members of the State Employees' Retirement System under the alternative formula.
2. Members of the State Employees' Retirement System not coordinated for Social Security who terminate employment and return after March 31, 1986, even if they did not obtain a refund of their retirement contributions.
3. State employees who are members of the Downstate Teachers, State Universities, Judges and General Assembly Retirement Systems.
4. State employees paid pursuant to a Form C-02, Contractual Services.
5. Any other State employee specifically excluded from a State Retirement System who receives compensation for services.

Exceptions from coverage under medicare will be limited to:

1. Individuals employed by the State for relief of unemployment.
2. Patient or inmate employees.
3. Temporary employees serving in case of fire, storm, snow, earthquake, flood or other similar emergency.
4. University students currently enrolled and attending classes at the University for which they perform services.

Employees covered for medicare and the State will be liable for the medicare portion of the F.I.C.A. tax. The tax for calendar year 1986 and 1987 is 1.45%. The maximum amount of wages covered for calendar year 1986 is \$42,000. The maximum for 1987 will be announced in November or December of 1986.

Due to the immediate effective date of the law and the numerous changes to be made to payroll and contractual service voucher processing, medicare deductions will not be made until the first payroll period after June 30, 1986.

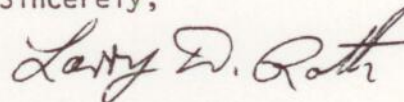
As the bill is effective April 1, 1986, medicare contributions for all covered medicare wages paid between April 1 and July 1, 1986 must still be paid. The method for making the retroactive employee contributions, paying the State's matching contributions and reporting of wages will be provided, along with procedures for processing current medicare wages, at a later date.

Employees affected by this law should be advised that deductions will begin in July and that they will be liable for retroactive contributions for covered medicare wages paid after March 31, 1986.

Please note that this bulletin pertains only to employees beginning employment after March 31, 1986 in positions not currently covered for Social Security.

Questions concerning payroll procedures affected by this bulletin may be addressed to Dan Steven (217)782-4758. Questions concerning employee coverage may be addressed to Mike Blankenship (217)753-0455.

Sincerely,

A handwritten signature in cursive script that reads "Larry D. Roth". The signature is written in dark ink and is positioned above the printed name and title.

Larry D. Roth
Director - State Accounting